

Message Text

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PAGE 01 LONDON 07162 01 OF 02 121925Z

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 H-02 L-02 PA-01 PRS-01 FEA-01 AGR-05 /102 W

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R 121616Z MAY 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1043

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

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AMCONSUL BELFAST

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E.O. 11652: N/A

TAGS: ELAB, PINT, UK

SUBJECT: TRADE UNION REACTION TO THE PRIME MINISTER'S

CALL FOR SHARE-OUT OF THE BURDEN OF INFLATION

REF: LONDON 6680

SUMMARY - INITIAL TUC REACTION TO THE PRIME MINISTER'S

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PAGE 02 LONDON 07162 01 OF 02 121925Z

CALL FOR A NEW APPROACH BY THE TRADE UNIONS, THE CBI AND

THE GOVERNMENT IN DEALING WITH INFLATION HAS BEEN ONE OF CAUTIOUS WELCOME. BUT WILSON'S SUGGESTION OF AN ANNUAL TRI-PARTITE, PRE-BUDGET DISCUSSION WHICH WOULD RESULT IN A BALANCED SHARE-OUT OF THE NATION'S INCOME ALSO MET WITH PRIVATE SKEPTICISM BY SOME OBSERVERS IN OR CLOSE TO THE TRADE UNION MOVEMENT. IN THE PRIME MINISTER'S INTERPOSITION, THIS APPROACH WOULD STRENGTHEN THE SOCIAL CONTRACT, BRING THE EMPLOYERS INTO THE PICTURE, AND HELP ENSURE THAT THE SOCIAL CONTRACT WAS ADHERED TO. END SUMMARY.

1. THE PRIME MINISTER, IN HIS ADDRESS, ON SUNDAY (SEPTEL) SUGGESTED THAT EMPLOYERS AND UNIONS SHOULD JOIN WITH THE GOVERNMENT IN AGREEING TO A TOTAL NATIONAL INCOME FOR THE YEAR, AND THEN BY CONSENSUS AGREEING TO A SHARE-OUT AMONG VARIOUS CATEGORIES: PERSONAL INCOMES, SOCIAL SERVICES, DEFENSE AND ALL THE OTHER VITAL NEEDS OF THE NATION. PERIODIC MEETINGS, POSSIBLY EACH QUARTER, WOULD REVIEW THE CURRENT SITUATION IN ORDER TO ADJUST THE SHARE-OUTS. (THUS A NUMBER OF MINI-BUDGETS WOULD BE ENVISIONED UNDER THIS SYSTEM.)

2. GENERAL SECRETARY LEN MURRAY, RESPONDING FOR THE TUC, DECLARED "THERE IS OBVIOUSLY A LOT OF SENSE IN THE IDEA OF SITTING DOWN TOGETHER TO TRY TO REACH A COMMON VIEW OF WHAT EACH CAN DO, AND WHAT WE MIGHT JOINTLY DO, TO IMPROVE THE NATION'S ECONOMIC FORTUNES". BUT HE ADDED THAT HE WOULD AWAIT THE GOVERNMENT'S CONCRETE PROPOSALS. HE ALSO NOTED THAT WHAT THE PRIME MINISTER WAS CALLING FOR WAS SOMETHING THE TRI-PARTITE NATIONAL ECONOMIC DEVELOPMENT COUNCIL (NEDC OR "NEDDY" AS IT IS MORE FREQUENTLY REFERRED TO) IS SET UP TO DO. MURRAY ALSO TOOK THE OCCASION OF HIS RESPONSE TO WARN THAT WAGE RESTRAINT WAS NOT THE ANSWER TO THE PROBLEM (THE PRIME MINISTER ALSO RULED OUT A RETURN TO A FREEZE AND COMPULSORY INCOMES POLICY IN HIS SPEECH, ALTHOUGH THIS APPROACH IS GAINING AN INCREASING NUMBER OF SUPPORTERS IN PARLIAMENT AND INDUSTRY).

3. OTHERS WITH WHOM WE TALKED WERE FAR MORE SKEPTICAL
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PAGE 03 LONDON 07162 01 OF 02 121925Z

ABOUT THE PRIME MINISTER'S NEW APPROACH. ONE TUC OFFI-

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PAGE 01 LONDON 07162 02 OF 02 121933Z

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CIAL SUSPECTED THAT MR. WILSON "WAS PRACTICING A BIT OF GIMMICKRY" IN ORDER TO ALLAY FEARS IN OTHER COUNTRIES, PARTICULARLY THE U.S., THAT THE BRITISH ECONOMY WAS GOING DOWN THE DRAIN. (IN A SENSE THE BRUNT OF THE PRIME MINISTER'S ENTIRE PRESENTATION WAS AN EFFORT TO ALLAY SUCH FEARS AND TO REBUT THE PROPHETS OF DOOM AND GLOOM, PAR-
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PAGE 02 LONDON 07162 02 OF 02 121933Z

TICULARLY ERIC SEVAREID OF CBS.) ANOTHER TUC OFFICIAL DESCRIBED THE PRIME MINISTER'S SUGGESTION AS "RATHER VAGUE" AND NEEDING MUCH MORE DETAIL. AND ONE OF OUR SOURCES, WHO IS VERY CLOSE TO MICHAEL FOOT, SECRETARY OF STATE FOR EMPLOYMENT WAS EXTREMELY SKEPTICAL, SAYING "WE'VE BEEN THROUGH ALL OF THIS BEFORE. NOBODY SEEMS TO HAVE THE ANSWER".

4. COMMENT: IT IS OBVIOUS THAT THE PRIME MINISTER'S IDEA IS SO FORMLESS AT THIS STAGE THAT ONE COULD SUPPOSE THAT HE WAS SIMPLY TRYING TO GROPE FOR SOMETHING POSITIVE TO PRESENT TO A WORRIED COUNTRY AS WELL AS TO OTHER CONCERNED NATIONS. IT ALSO MAY BE A WAY OF TELLING THE TRADE UNIONS THAT THE EMPLOYERS, TOO, MUST BE BROUGHT INTO THE SOCIAL CONTRACT, SINCE IT HAS BEEN ESSENTIALLY AN ACORD BETWEEN THE GOVERNMENT AND THE UNIONS ALONE. OR, IT MAY BE ANOTHER WAY OF GIVING SUPPORT TO THE TUC ESTABLISHMENT, EMBODIED IN THE ECONOMIC COMMITTEE, WHICH MEETS ON WEDNESDAY (MAY 14), IN THE LATTER'S EFFORTS TO SHARPEN THE WAGE GUIDELINES OF THE SOCIAL CONTRACT (SEE CONVERSATION WITH LEN MURRAY, REFTEL). BUT LIKE ALL BROAD SCHEMES OF ITS KIND, IT HAS ONE BASIC AND PERHAPS FATAL FLAW: EVEN IF THE TUC, THE CBI AND THE GOVERNMENT WERE ABLE TO WORK OUT A "SHARE-OUT", WHICH AT THIS READING WOULD IN ITSELF BE A HERCULEAN TASK, IT WOULD NOT NECESSARILY COMMIT TUC AFFILIATES TO THE CBI MEMBERS (THE VIOLATIONS OF THE SOCIAL CONTRACT BEAR TESTIMONY TO THIS).

RICHARDSON

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